

# ANALYSIS OF AMENDED BILL

## Franchise Tax Board

Author: Liu Analyst: Kristina E. North Bill Number: AB 2036  
Related Bills: See Legislative History Telephone: 845-6978 Amended Date: August 27, 2002  
Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** State Children's Trust Fund

### SUMMARY

This bill would reestablish an individual taxpayer's ability to make a voluntary contribution on their tax return to support programs to prevent child abuse and neglect.

### PURPOSE OF THE BILL

The author's office has indicated that the purpose of the bill is to reestablish a funding source for programs to prevent child abuse and neglect.

### EFFECTIVE/OPERATIVE DATE

This bill would be effective January 1, 2003, and would apply to returns filed for taxable years beginning with 2002. This fund would last appear on the 2007 tax return.

### POSITION

Pending.

### ANALYSIS

#### FEDERAL/STATE LAW

**Current federal tax law** provides a checkoff to direct \$3 of a taxpayer's tax liability to the Presidential Election Fund. Designation of the \$3 amount does not affect a taxpayer's tax liability or refund amount.

**Current state tax law** allows taxpayers to make contributions of their own funds (not tax liability) on their tax returns to the 10 voluntary contribution funds listed on the 2001 state tax return. Each fund provides for the reimbursement of the Franchise Tax Board's (FTB's) and the State Controller's actual costs to administer the fund.

Under prior state law the State Children's Trust Fund first appeared on the 1983 California personal income tax return. Approximately \$575,788 was contributed for taxable year 2000. The fund was repealed by its own terms January 1, 2002. It was the third largest collecting voluntary contribution fund on the return.

#### Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

#### Department Director

#### Date

Gerald H. Goldberg

9/16/02

## THIS BILL

**This bill** would reestablish the State Children's Trust Fund, and would allow taxpayers to designate their own funds (not tax liability) for contribution to the fund on their tax returns in full dollar amounts of \$1 or more. Each signatory on a joint return may make the contributions individually. The designations for any taxable year must be made on the initial return for the taxable year and, once made, are irrevocable.

**This bill** would require FTB to include a designation space for the fund beginning with 2002 returns and would allow the voluntary contribution designation to remain on the tax return for five years. Beginning calendar year 2003, if FTB estimates that contributions to the fund would be less than \$250,000, the provisions of this bill would be repealed.

**This bill** would require the Controller to transfer money designated for this fund by taxpayers from the Personal Income Tax Fund to the State Children's Trust Fund.

**This bill** would require that all money transferred to the State Children's Trust Fund, upon appropriation by the Legislature, be allocated first to FTB and the Controller for reimbursement of costs incurred performing their duties under this article. Then, money would be allocated to the State Department of Social Services for innovative child abuse and neglect prevention and intervention programs.

## IMPLEMENTATION CONSIDERATION

Implementing this bill would not significantly impact the department's programs and operations.

## **LEGISLATIVE HISTORY**

SB 78 (Thompson, Stats. 1997, Ch. 630) reestablished and extended the operation of the State Children's Trust Fund from January 1, 1997, to January 1, 2002.

AB 607 (Vicencia, Stats. 1983, Ch. 1082) established the State Children's Trust Fund voluntary contribution designation.

## **PROGRAM BACKGROUND**

Ten voluntary contribution funds appeared on the 2001 California personal income tax returns. Total contributions to these funds have varied from approximately \$3.4 million in 1989/1990 to approximately \$3.7 million in 2000/2001. The number of individuals contributing (first tabulated in 1993) remains fairly constant at approximately 140,000, or slightly less than 1% of all taxpayers.

The State Children's Trust Fund was first enacted in 1983 and was available for contributions on the 1983 tax return filed in 1984.

## **OTHER STATES' INFORMATION**

*Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York* laws do not provide a voluntary contribution fund comparable to the voluntary contribution fund allowed by this bill. The laws of these states were reviewed because their tax laws are similar to California's income tax laws.

## **FISCAL IMPACT**

This bill would not significantly impact the department's costs.

## **ECONOMIC IMPACT**

### Revenue Estimate

Assuming the minimum level of contributions are achieved each year, potential revenue losses would be very minor, on the order of \$15,000 annually beginning with the fiscal year commencing after the fund designation appears on filed tax returns. The loss would result from itemized deductions for the contributions.

Any possible changes in employment, personal income, or gross state product that might result from this measure are not taken into account.

### Revenue Discussion

According to departmental data, the total amount of existing voluntary contributions to all funds was over \$3.7 million for fiscal year 2000/2001 with an average of \$250,000 per individual designated fund.

Assuming contributions equal or exceed the minimum contribution threshold and all contributors itemize deductions, the annual revenue loss would be on the order of \$15,000 by applying an average marginal tax rate of 6%.

## **POLICY CONCERN**

The placement of voluntary contributions on the tax return limits the amount of space available for tax-related items. The inclusion of non-tax related information could ultimately cause the tax form to become three pages, which is unprecedented among other states and the IRS. A three-page return also would cause the department to incur significant costs for printing, handling, and storage.

## **LEGISLATIVE STAFF CONTACT**

Kristina E. North  
Franchise Tax Board  
845-6978  
[Kristina.North@ftb.ca.gov](mailto:Kristina.North@ftb.ca.gov)

Brian Putler  
Franchise Tax Board  
845-6333  
[Brian.Putler@ftb.ca.gov](mailto:Brian.Putler@ftb.ca.gov)